

# Cross-cultural Influence on Management of International Business

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## Abstract

With the management of innovation and technology, the number of multinational corporations is growing steadily and their business fields are expanding. Therefore, this paper expounds and analyzes the basic opinions of culture and management of international business, discloses the importance and necessity of cross-cultural study and education for the global manager and those in management positions through analyzing the benefits of cross-cultural research in managing and marketing so as to promote international business and operate effectively in a complex world market.

**Keywords:** cross-culture; management; global manager; international business;

## 1. Introduction

Many countries are not directly tied to an international system of economic interdependence, and most countries have at least one asset within their borders that is needed by another country. No country is completely self-sufficient. As a result, never before in history has the business arena portrayed such global qualities. Many leaders and managers involved in international business activities do not have sufficient intercultural skills to be successful. The real challenge is developing the ability of management from different countries and cultures to think and

work together—a primary factor for the success of global organizations.

This challenge exists because even a seemingly universal concept like “management” can be viewed differently from culture to culture. We now turn our attention toward the views various cultures hold regarding management and managers.

## 2. Culture and Management of International Business

Multinational corporations increasingly participate in various international business arrangements. Joint ventures or “cooperative arrangements between two or more organizations that share in the ownership of a business undertaking” are quite common. As an example, the French telecommunications company Alcatel acquired Rockwell International (U.S.) and merged with Telstra, a subsidiary of Fiat (Italy) [1]. China offers another example. Economic reforms in China have spurred a great deal of joint ventures in the last decade. More than 20,000 international partnerships with a total investment of more than \$26 billion were signed in the 1980s [2].

Finally, management contracts have also increased dramatically over the last decade. In management contracts, one company provides another company with managerial expertise for a fee [3]. For instance, a U.S. multinational corporation has entered into a management contract through a joint venture in Thailand to

produce appliances. The multinational corporation provides production, technical, and marketing management for five years for a fixed fee. Not only are large multinational companies doing business nationwide, but smaller domestic enterprises such as the Otis Elevator Company of Farmington, Connecticut, are investing in places such as Russia [4]. Even our own Mickey Mouse was rescued from financial destitution in Europe by a Saudi Arabian prince [5]!

These numerous international business arrangements often result in individuals from one culture working not only with, but for individuals from another culture. In the final analysis, the most successful firms in the global arena will be companies whose employees not only understand world economics and global competitiveness but who also have the ability to communicate effectively with international counterparts [6]. The urgency of this topic can be found in the fact that in the United States, roughly \$2.5 billion are lost annually due to failed cross-cultural business assignments [7]. The importance of the cultural component in business is evident from a simple examination of the various view cultures hold concerning managers. International managers are expected to be competent and cosmopolitan, but often they are not. Many leaders and managers involved in international business activities do not have sufficient intercultural skills to be successful. This challenge exists because even a seemingly universal concept like "management" can be viewed differently from culture to culture. We now turn our attention toward the views various cultures hold regarding management and managers.

### **3. The Importance and Necessity of Cross-Cultural Study for the Global Manager**

Culture teaches us what to value and what

to fear, which behavioral signals to watch for from others and which to send, which word to use and which to avoid. It guides everything from our method of reasoning and our choice of mates to our working patterns.

Culture can be divided into material aspect- the products of a people's art and technology and non- material aspect- a people's customs, beliefs, values and patterns of communication. All of the customs, beliefs, values, knowledge and skills that guide a nation's behavior among shared paths are part of their culture. The international corporations have their subsidiaries in different countries and these subsidiaries will be affected by the culture of the community that surrounds them. The managers anticipate that other people will act as they do and their standards for behavior have pretty much the same meaning around the world. But this is usually not the case. So when the managers and technicians work in another culture, they find themselves in situations for which they are unprepared.

Each country has its own folkways, norms and taboos. When doing business abroad, the seller must examine the way consumers in different countries think about and use certain products before planning a marketing program.

In Germany, the manager is not a cultural hero. In fact, Germans do not have a very strong concept of management. The reason for this is that Germany has historically honored the worker who possesses exceptionally high occupational skills and qualifications. The highly skilled and responsible German workers do not necessarily need a manager, American-style, to motivate them. They expect their boss to assign their tasks and to be the expert in resolving technical problems. Germany has one of the world's lowest rates of personnel in leadership and staff roles.

As was the case with the Germans, the Japanese do not share a strong sense of management. For them, the key component of the organization is the "worker group." This worker group can expect lifelong employment and advancement according to seniority. American CEOs are primarily concerned with doing right by their shareholders. In contrast, a Japanese manager's constituency is his or her employees. Japan's top corporate managers are not - and never will be - slaves to shareholders. Japanese CEOs can thus try to abide by the country's lifetime-employment gospel without driving away shareholder.

Management style in France also differs from the style in the United States. Whereas in the United States it is assumed that managers and employees have a fair contract between them, in France each class is honored in what has been labeled a "stratified society." That is, managers act in very superior roles. In France, employees not only accept rigid role positions, but expect them. That is, subordinates are aware of their place in the societal hierarchy. They do, however, feel honor toward their own class.

Obviously, the French value this high power differential. Additional values include individualism and authority based on absolutism. Because French managers or cadres are well paid, have attended the best schools, and come from well-established families, they tend to have an elitist approach to management.

This elitism is very different from the perspective in mainland China. Because of the impact of social history, business management in China is affected by interpersonal connections, which overpower the formal organizational structure in many cases. Business contracts are often specified in legal terms but implemented relying on trust and relationships between the parties involved.

From this examination of various cultural views regarding management styles and managers, you can appreciate how a business procedure, often thought of as universal, can differ from culture to culture. Your ability to succeed in these situations will very much depend on your skills as an intercultural business communicator.

#### **4. The Benefits of Cross-cultural Research in Managing and Marketing**

Knowledge about cultures, both general and specific, provides insight into the learned behavior of groups. It helps the learner to gain awareness of what makes a people unique. The factors are its customs and traditions, its values and beliefs, attitudes and concepts, hierarchies and roles, time and space relations and verbal and non-verbal communication processes. Information gained in cross-cultural studies will enable managers to become more cosmopolitan, to cope more effectively abroad, to reduce stress and resolve conflict more readily in the international business area. Now with the open-door policy, any enterprises have involved in international trade. Those engaged in the import-export trade, depending on their understanding and skills in the cross-cultural relations, could either advance or hamper their sales and exchanges. Transcultural studies benefit employees as following:

##### **4.1. Facilitate Adjustment and Productivity in a Foreign Country or at Home with Minority Cultures**

It is known that the policy of China's opening out has attracted many foreigners to invest in China. We have set up joint ventures, contractual joint ventures and solely foreign-owned and clashes between the foreign manager and Chinese employees. Some of the disputes arose

from the misunderstanding caused by cross-cultural communications. And if the foreign managers knew more about Chinese managing culture, there might not have been such disputes.

#### **4.2. Foster Interaction, Customer Relations and Profits**

In a competitive society, the global manager should function like an intercultural researcher seeking various ways to establish good relationship with his customers. The partners' behaviors are strongly affected by cultural, social, personal and psychological factors. But the cultural factors exert the broadest and deepest influence on them.

#### **4.3. Offer Better Understanding of Both Domestic and International Markets**

To be successful, market research project requires as much careful planning as a well-designed product. Market researches include cultural differences in a drink in France; Middle Easterners prefer spicy toothpaste; people in the Philippines prefer black shampoo for their black hair; the Japanese like rice and tuna for breakfast. These cultural differences will help you make a successful marketing decision.

#### **5. Conclusion**

Most nations and many multinational business organizations have international facilities and do business on a global basis. The most successful companies will be those who understand world economics and global competitiveness, and who have the ability to communicate effectively with their international counterparts. The concept of management can be viewed differently from culture to culture. To the global managers, reeducation of

cross-cultural communication becomes a necessity. They have to enrich themselves in their practice. Only practicing in the cross-cultural communication, can the global managers obtain more valuable experience to meet their needs.

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